

Message Text

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ACTION SS-25

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FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 6341
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C O N F I D E N T I A L CAIRO 11336

EXDIS

E.O. 11652: GDS
TAGS: EFIN EAID EG XE
SUBJ: GOE REQUEST FOR LOAN PROPOSAL FROM CHASE AND CITIBANK

REF: CAIRO 11298

1. CHASE ACTING REP HAS INFORMED US THAT HE AND CITIBANK REP (PROTEC SOURCES) WERE SUMMONED TO MEET URGENTLY WITH FINANCE MINISTER ABU ISMAIL AUGUST 21. ABU ISMAIL PRESENTED THEM WITH REQUEST FOR SEVEN-YEAR LOAN TOTALING \$250 MILLION (FOUR-YEAR GRACE PERIOD WITH THREE-YEAR REPAYMENT). LOAN, THEY WERE TOLD, WOULD BE GUARANTEED BY GULF ORGANIZATION FOR DEVELOPMENT OF EGYPT. ABU ISMAIL ASKED REPS TO PROVIDE ANSWER BY NOON, AUGUST 25. BOTH BANKS HAVE ASKED U.S. HEAD OFFICES FOR INSTRUCTIONS.

2. DURING RECEPTION EVENING OF AUGUST 23, CHASE AREA REP RICHEY (WHO WAS AWAY AT TIME ABU ISMAIL'S REQUEST) INFORMED AMBASSADOR THAT HE HAS BEEN HAVING DISCUSSION WITH SAUDI ARABIAN MINISTER OF FINANCE ABA AL-KHAIL ON TOPIC OF LOAN GUARANTEE FOR EGYPT FOR SOME TIME. RICHEY LAST MET WITH ABA AL-KHAIL ABOUT TEN DAYS AGO, AT WHICH TIME LATTER SAID THAT SUCH GUARANTEE WOULD NOT BE FORTHCOMING. RICHEY, THEREFORE, WILL NOT
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RECOMMEND COURSE OF ACTION TO CHASE ON ABU

ISMAIL'S REQUEST UNTIL HE TALKS TO ABA AL-KHAIL
PERSONALLY AND IS TRAVELLING TO RIYADH O/A
AUGUST 25 FOR THIS PURPOSE.

3. TEXTS OF CODE ARTICLES OF INCORPORATION AND
GODE/GOE AGREEMENT (BEING SENT SEPTELS) CITE BALANCE
OF PAYMENTS FINANCING AS ONE PURPOSE OF FUND, EITHER
ALONE OR WITH PARTICIPATION OF "ARAB OR WORLD
FINANCIAL ORGANIZATIONS." NOWHERE, HOWEVER, IS
FINANCIAL GUARANTEE FUNCTION EXPLICITLY MENTIONED.

4. RICHEY ALSO CONFIRMED TO EMBOFF THAT GOE IS
STILL RUNNING ABOUT SIXTY DAYS BEHIND IN OFFICIAL
TRANSACTIONS THROUGH NEW YORK BANKS, AND THAT DELAY
IS EVEN LONGER FOR SUPPLIER CREDITS (WE HAVE HEARD THAT
UP TO SIX MONTHS IS NOT UNUSUAL). HE DID NOT KNOW
WHAT POSITION IS IN EUROPE, BUT OPINED IT IS PROBABLY
WORSE. GOE THEREFORE DESPERATE FOR CASH OR AT
LEAST WORD THAT CASH IS ON THE WAY TO ASSUAGE
JITTERY CREDITORS. AS EXAMPLE, ACCORDING RICHEY,
CHASE BLOCKED NATIONAL BANK OF EGYPT ACCOUNT
IN NEW YORK FOR SEVERAL EMBARRASSING DAYS IN JULY
UNDER AUTOMATIC STOP MECHANISM, FIRST TIME WE ARE
AWARE SUCH ACTION WAS TAKEN SINCE CRISES OF EARLY
1975. ALTHOUGH ACTION WAS QUICKLY RESCINDED,
IT IS STILL INDICATION OF SERIOUS CONSEQUENCES
EGYPTIANS FACE IF THEY CANNOT COME UP WITH CASH
SOON.
EILTS

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